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Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

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In the Matter of

Implementation of Sections 3(n) and 332 of the Communications Act

Regulatory Treatment of Mobile Services

GN Docket No. 93-252

REPLY COMMENTS OF ROCHESTER TELEPHONE CORPORATION

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November 22, 1993

(2783K)

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### REPLY COMMENTS OF ROCHESTER TELEPHONE CORPORATION

Rochester Telephone Corporation ("Rochester") submits this reply to the comments 1/ received in response to the Commission's Notice initiating this proceeding. 2/ In amending the Communications Act to authorize the Commission to address the regulatory treatment of mobile services, two of Congress' major objectives were to ensure regulatory parity for substitutable mobile services and to permit competition, rather than regulation, to determine the terms under which commercial mobile services are to be offered. 3/ Certain parties suggest that the Commission turn this mandate on its head. These requests take four forms that the Commission should reject:

(a) definitional approaches that would vastly expand the number of services that would be classified as private; (b) imposition

Citations to the comments will take the form "[Party] at \_\_\_\_."

Implementation of Sections 3(n) and 332 of the Communications Act - Regulatory Treatment of Mobile Services, GN Dkt. 93-252, Notice of Proposed Rulemaking, FCC 93-455 (Oct. 12, 1993) ("Notice").

 $<sup>\</sup>underline{\mathbf{E}}$ , CTIA at 6; US West at 5.

of detailed Title II regulation, including tariff regulation, upon commercial mobile services providers; (c) imposition of additional regulatory requirements upon dominant carriers and their commercial mobile services affiliates; and (d) promulgation of relaxed standards for state entry and rate re-regulation of commercial mobile services.

First, certain entities currently classified as private carriers wish to perpetuate the artificial distinction that currently exists in the Communications Act between private and common radio carriers. These parties proffer strained interpretations of the definition of commercial mobile services. Adopting this approach would result in mobile services providers that offer interconnected, for-profit services to the public retaining private carrier status.4/

One requirement for classification as a commercial mobile service is that the service be offered "for profit." Certain parties wish to resell excess capacity on private systems, yet retain private carrier status. 5/ Such resale plainly falls within the statutory definition of "for profit" and the service should be classified accordingly. Moreover, the resale of capacity on such nominally private systems constitutes an

E.g., Nextel at 9-11; Geotek at 4-8; RAM Mobile Data at 6.

<sup>5/</sup> E.g., Utilities Telecommunications Council at 5 (suggesting that a private system remain private if 51% of its usage is internal).

offering directly competitive with services currently offered on a common carrier basis. Accordingly, adoption of such requests would defeat the purpose of achieving regulatory parity. 6/

The second definitional trick is to utilize the "functional equivalence" standard to exempt from common carrier classification services that plainly fall within the definition of a commercial mobile service. It although the Commission posited this outcome as one possible interpretation of the statute, I that interpretation is plainly incorrect and inconsistent with the legislative history. The Commission should utilize the "functional equivalence" test to classify as commercial services that may not precisely meet the definitional requirements of a commercial service, yet are substitutable for such services, not vice yersa. 9/

Rochester is sensitive to the needs of certain organizations to control their internal communications networks. That need, however, provides scant justification for permitting "for profit" resale under a favored regulatory classification. Internal needs are precisely that -- internal. When operators of "internal" systems stray from satisfying that need, there is no reason not to subject them to the same regulatory treatment applicable to common carrier providers that offer services to the public for compensation.

 $<sup>\</sup>underline{I}$  E.g., Geotek at 6; Motorola at 10.

<sup>&</sup>lt;u>8</u>/ Notice, ¶ 32.

<sup>9/</sup> E.g., McCaw at 18-21.

For the same reason, the Commission should not adopt proposals to utilize tests of capacity limitations, frequency reuse and the like to distinguish private from common carrier services. Technological distinctions can vanish quickly. Even a system that currently has limited capacity could be upgraded to expand its capacity significantly and rapidly. Moreover, a provider's marketing philosophy should not determine the regulatory classification of that provider's service. 10/ There is no reason for the Commission to engage in such fine line-drawing or invite efforts that it do so. If the service meets the literal definition of a commercial mobile service — or is substitutable for such a service as viewed from the perspective of an end user — it should be so classified.

Second, the record amply demonstrates that the Commission should forebear from most Title II regulation of commercial mobile services. Despite the claims of certain parties, 11/commercial mobile services are highly competitive today. Cellular licensees compete, not only between themselves, but also with exchange and interexchange carriers, specialized mobile radio providers and others. 12/ The licensing of spectrum for personal communications services ("PCS") will

<sup>10/</sup> Rochester at 5.

E.g., California at 6-8; New York at 10-11.

 $<sup>\</sup>frac{12}{}$  CTIA at 25 ff; Rochester at 6-7.

serve only to intensify this competition in the short term. 13/Given the degree of current and anticipated competition for wireless services, the Commission's tentative conclusion that forbearance is appropriate 14/is correct.

In particular, the Commission should reject NCRA's request that the Commission establish and regulate wholesale cellular rates. 15/ The Commission has never required that cellular carriers establish separate wholesale and retail rates in the first instance. NCRA provides no basis for the Commission to reverse course and do so now.

Third, the Commission should reject requests that it subject dominant carriers or their commercial mobile services affiliates to additional regulation which would not apply to their competitors. Certain parties allege -- but do not substantiate -- that exchange carriers have engaged in anticompetitive conduct that warrants disparate regulatory treatment. 16/

As the Commission observes (Notice, ¶ 4 n.4), the Commission must begin awarding PCS licenses no later than May 1994.

<sup>14/</sup> Id., ¶ 62.

<sup>15/</sup> NCRA at 14-17.

<sup>16/</sup> E.g., Nextel at 23; Cox at 6-8.

The various complaints regarding the types of interconnection offered mobile services providers 17/ are almost uniformly devoid of factual support. Additional or disparate regulation based upon these mere allegations would be totally inappropriate. The Commission has promulgated a federal right of interconnection for mobile services providers 18/ and proposes to extend that right to PCS providers 19/ -- a proposal that Rochester supports. Additional regulation is unnecessary. 20/

Fourth, the Commission should view warily state attempts to regulate aspects of commercial mobile services -- other than entry or rates, which Congress has specifically preempted -- and should establish a significant burden of proof on a state petitioning for authority to re-establish entry or rate

E.g., Comcast at 6-9.

<sup>18/</sup> Notice, ¶ 71.

<sup>19/</sup> Id., ¶ 73.

To date, the Commission has guaranteed a federal right of interconnection, but has left to the states the ability to regulate the rates governing such interconnection arrangements. See, e.g., New York at 12. Any attempt by the Commission to preempt such state regulation at this time may not survive judicial review. See e.g., California v. FCC, 905 F.2d 1217 (9th Cir. 1990). Thus, the Commission should not attempt to preempt completely state regulation of rates for interconnection. Rather, it should review specific state regulatory approaches to determine if they frustrate important federal policies.

regulation. Such regulation -- absent a clear and demonstrable market failure -- is unnecessary. 21/ Admittedly, no state filing comments has signalled a clear intent to seek such authority. However, it is likely that the Commission may see such petitions. 22/ Thus, the Commission should signal, at the outset, that such petitioners will face a stringent burden of proof in attempting to reassert rate and entry regulation over commercial mobile services.

For the foregoing reasons, the Commission should act upon the proposals contained in the Notice in the manner set forth herein and in Rochester's comments.

Respectfully submitted,

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<sup>21/</sup> See, e.g., CTIA at 36; Rochester at 9-10.

<sup>&</sup>lt;u>Cf.</u> District of Columbia at 10 ff (suggesting specific standards for evaluating such petitions); California at 6-8 (suggesting that cellular is not currently competitive); New York at 10-11 (suggesting that it is premature to conclude that commercial mobile services are competitive).

#### Certificate of Service

I hereby certify that, on this 22nd day of November, 1993, the foregoing relpy Comments of Rochester Telephone Corporation were served by first-class mail, postage prepaid, upon the parties on the attached service list.

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